



MICHIGAN  
HOUSE OF REPRESENTATIVES  
P.O. Box 30014  
LANSING, MICHIGAN 48909-7514

**MINUTES OF THE COMMITTEE  
ON  
TAX POLICY**

Wednesday, January 24, 2018                      10:30 a.m.                      Room 521, House Office Building

The House Committee on Tax Policy was called to order by the Chairman, Representative Jim Tedder.

Members present: Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Johnson, Kahle, Lower, Byrd, Neeley, Ellison, and Yancey.

Members absent/excused: None.

Representative Maturen moved to adopt the minutes from the Wednesday, January 17, 2018 meeting.

There being no objection, the motion prevailed by unanimous consent.

The Chair laid before the committee HB 5034:

HB 5034 (Miller)	Individual income tax; retirement or pension benefits; limitations and restrictions on retirement income deduction for a surviving spouse; clarify.
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Substitute (H-1) was previously adopted to HB 5034 on November 29th, 2017.

Representative Howrylak moved to adopt the following amendment to HB 5034, (H-1):

1. Amend page 19, line 27, after **"FOR"** by striking out **"A TAX YEAR IN WHICH A SPOUSE DIED"** and inserting **"AT LEAST 2 TAX YEARS PRIOR TO THE DEATH OF A SPOUSE."**

The motion prevailed by a vote of 12-0-1.

**FAVORABLE ROLL CALL:**

**YEAS:** Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Johnson, Kahle, Lower, Byrd, Neeley, and Yancey.

**NAYS:** None.

**PASS:** Representative Ellison.

Mary Pollock, representing the State Employee Retirees Association, submitted a testimony card in support of HB 5034, but did not wish to speak.

Representative Maturen moved to report HB 5034, as amended, as substitute (H-2), with recommendation.

The motion prevailed by a vote of 11-0-2.

**FAVORABLE ROLL CALL:**

YEAS: Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Johnson, Kahle, Lower, Byrd, and Ellison.

NAYS: None.

PASS: Representatives Neeley, and Yancey.

The Chair laid before the committee HB 5420:

HB 5420 (Hauck)	Individual income tax; exemptions; treatment of exemptions for state purposes after reduction of federal exemptions to zero; clarify and increase.
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Substitute (H-1) was previously adopted to HB 5420 on January 17th, 2018.

Chairman Tedder moved to adopt the substitute (H-2) to HB 5420.

The motion prevailed by a vote of 13-0-0.

**FAVORABLE ROLL CALL:**

YEAS: Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Johnson, Kahle, Lower, Byrd, Neeley, Ellison, and Yancey.

NAYS: None.

PASS: None.

The following people submitted a testimony card in support of HB 5420, but did not wish to speak:

Don Taylor, representing the Retired Detroit Police and Firefighters Association.

Dan Papineau, representing the Michigan Chamber of Commerce.

Pete Lund, representing Americans for Prosperity.

Tony Daunt, representing Michigan Freedom Fund

Representative Kahle moved to adopt the following amendments to HB 5420, (H-2):

1. Amend page 22, following line 25, by inserting:

"Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed under this part upon the taxable income of every person

other than a corporation a tax at the following rates in the following circumstances:

(a) On and after October 1, 2007 and before October 1, 2012, 4.35%.

(b) Except as otherwise provided under subdivision (c), on and after October 1, 2012, 4.25%.

(c) For each tax year beginning on and after January 1, 2023, if the percentage increase in the total general fund/general purpose revenue from the immediately preceding fiscal year is greater than the inflation rate for the same period and the inflation rate is positive, then the current rate shall be reduced by an amount determined by multiplying that rate by a fraction, the numerator of which is the difference between the total general fund/general purpose revenue from the immediately preceding state fiscal year and the capped general fund/general purpose revenue and the denominator of which is the total revenue collected from this part in the immediately preceding state fiscal year. For purposes of this subdivision only, the state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall determine whether the total revenue distributed to general fund/general purpose revenue has increased as required under this subdivision based on the comprehensive annual financial report prepared and published by the department of technology, management, and budget in accordance with section 23 of article IX of the state constitution of 1963. The state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall make the determination under this subdivision no later than the date of the January 2023 revenue estimating conference conducted pursuant to sections 367a through 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date of each January revenue estimating conference conducted each year thereafter. As used in this subdivision:

(i) "Capped general fund/general purpose revenue" means the total general fund/general purpose revenue from the 2020-2021 state fiscal year multiplied by the sum of 1 plus the product of 1.425 times the difference between a fraction, the numerator of which is the ~~consumer price index~~ **CONSUMER PRICE INDEX** for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 2020-2021 state fiscal year, and 1.

(ii) "Total general fund/general purpose revenue" means the total general fund/general purpose revenue and other financing sources as published in the comprehensive annual financial report schedule of revenue and other financing sources – general fund for that fiscal year plus any distribution made pursuant to section 51d.

(2) Beginning January 1, 2000, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. **IN ADDITION TO THE AMOUNT ALREADY DEPOSITED UNDER THIS SUBSECTION, AN AMOUNT EQUAL TO ALL REVENUE LOST UNDER THIS PART AS A RESULT OF THE CHANGES IMPLEMENTED FOR PERSONAL AND DEPENDENCY EXEMPTIONS IN SECTIONS 30 AND 30A BY THE AMENDATORY ACT THAT ADDED THIS SENTENCE, AS DETERMINED BY THE DEPARTMENT, SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.**

(3) In addition to the distribution under subsection (2) and section 51d, beginning October 1, 2016, from the revenue collected under this section an amount equal to 3.5% of the average amount of farmland tax credits claimed under section 36109 of the natural resources and

environmental protection act, 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state fiscal years shall be deposited into the agricultural preservation fund created in section 36202 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36202.

(4) The department shall annualize rates provided in subsection (1) as necessary. The applicable annualized rate shall be imposed upon the taxable income of every person other than a corporation for those tax years.

(5) The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this part.

(6) A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the internal revenue code, shall be allowed a credit against the tax otherwise due under this part. The credit shall be all or a proportionate part of any tax paid by the trust under this part for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit shall not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

(7) The taxable income of a resident who is required to include income from a trust in his or her federal income tax return under the provisions of 26 USC 671 to 679, shall include items of income and deductions from the trust in taxable income to the extent required by this part with respect to property owned outright.

(8) It is the intention of this section that the income subject to tax of every person other than corporations shall be computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this part.

(9) As used in this section:

(a) "~~Consumer price index~~-**PRICE INDEX**" means the United States ~~consumer price index~~-**CONSUMER PRICE INDEX** for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

(b) "Inflation rate" means the annual percentage change in the ~~consumer price index~~, **CONSUMER PRICE INDEX**, as determined by the department, comparing the 2 most recent completed state fiscal years.

(c) "Person other than a corporation" means a resident or nonresident individual or any of the following:

(i) A partner in a partnership as defined in the internal revenue code.

(ii) A beneficiary of an estate or a trust as defined in the internal revenue code.

(iii) An estate or trust as defined in the internal revenue code.

(d) "Taxable income" means taxable income as defined in this part subject to the applicable source and attribution rules contained in this part."

The motion prevailed by a vote of 10-1-2.

FAVORABLE ROLL CALL:

YEAS: Representatives Tedder, Maturen, Leutheuser, Lucido, Vaupel, Kahle, Byrd, Neeley, Ellison, and Yancey.

NAYS: Representative Johnson.

PASS: Representatives Howrylak, and Lower.

Representative Maturen moved to report HB 5420, as amended, as substitute (H-4), with recommendation.

The motion prevailed by a vote of 12-0-1.

FAVORABLE ROLL CALL:

YEAS: Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Johnson, Kahle, Lower, Byrd, Ellison, and Yancey.

NAYS: None.

PASS: Representative Neeley.

The Chair laid before the committee HB 5421:

HB 5421 (Noble)	Individual income tax; city; treatment of exemptions after reduction of federal exemptions to zero; clarify.
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The following people submitted a testimony card in support of HB 5421, but did not wish to speak:

Don Taylor, representing the Retired Detroit Police and Firefighters Association.

Dan Papineau, representing the Michigan Chamber of Commerce.

Pete Lund, representing Americans for Prosperity.

Tony Daunt, representing Michigan Freedom Fund

Representative Maturen moved to report HB 5421 with recommendation.

The motion prevailed by a vote of 12-0-1.

FAVORABLE ROLL CALL:

YEAS: Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Johnson, Kahle, Lower, Byrd, Ellison, and Yancey.

NAYS: None.

PASS: Representative Neeley.

The Chair laid before the committee HB 5422:

HB 5422 (Tedder)	Individual income tax; credit; credit for certain qualified taxpayers; create.
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Substitute (H-1) was previously adopted to HB 5422 on January 17th, 2018.

Mary Pollock, representing the State Employee Retirees Association testified in support of HB 5422.

The following people submitted a testimony card in support of HB 5422, but did not wish to speak:

Don Taylor, representing the Retired Detroit Police and Firefighters Association.

Dan Papineau, representing the Michigan Chamber of Commerce.

Tony Daunt, representing Michigan Freedom Fund

Representative Kahle moved to report HB 5422, as substitute (H-1), with recommendation.

The motion prevailed by a vote of 10-2-1.

**FAVORABLE ROLL CALL:**

YEAS: Representatives Tedder, Maturen, Howrylak, Leutheuser, Lucido, Vaupel, Kahle, Byrd, Ellison, and Yancey.

NAYS: Representatives Johnson, and Lower.

PASS: Representative Neeley.

There being no further business before the committee and seeing no objection, the Chair adjourned the meeting, the time being 10:47 a.m.

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Representative Jim Tedder, Chair

Eddie Sleeper  
Committee Clerk  
January 24, 2018  
17 minutes

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Date Approved and Signed